

HEALTH INSURANCE COSTS, IDAHO CODE SECTION 63-3022P

The amount paid for health insurance costs that are not otherwise deducted or accounted for is allowed as a deduction on the Idaho Form 39R or 39NR for the taxable year 2001, under Idaho Code Section 63-3022P, Health Insurance Costs. Since the Idaho statute does not address certain situations, the Tax Commission is providing the following information to offer interpretive guidance to the general public.

Section 63-3022P was enacted during the 2001 legislative session, effective for tax years beginning on or after January 1, 2001. It provides as follows:

63-3022P. HEALTH INSURANCE COSTS. With respect to an individual taxpayer, an amount equal to the amount paid by the taxpayer during the taxable year for insurance which constitutes medical care for the taxpayer, the spouse or dependents of the taxpayer which is not otherwise deducted or accounted for by the taxpayer for Idaho income tax purposes shall be allowed as a deduction for Idaho taxable income. As used in this section, "insurance which constitutes medical care" includes any hospital or medical policy or certificate, any subscriber contract, policies or certificates of insurance for specific disease, hospital confinement indemnity, accident-only, credit, dental, vision, single employer self-funded coverage, meaning that portion of health insurance which is the retained risk of the employer, student health benefits only or coverage for medical care or treatment issued as a supplement to liability insurance. Employers shall provide to the employee a statement as to whether an employee's contribution for health insurance has been excluded from taxable income.

The Idaho statute allows an individual to deduct the amount paid for health insurance for the taxpayer, spouse, and dependents that is not otherwise deducted or accounted for by the taxpayer for Idaho income tax purposes.

In general, the Idaho deduction is allowed in full only when the taxpayer is unable to deduct the amount for federal income tax purposes.

EXAMPLES:

Federal Itemized Deduction Limitations

For federal purposes, the amount of medical expenses allowed as a deduction on the federal Form 1040, Schedule A, is required to be reduced by 7.5% of adjusted gross income. The examples that follow show how the limitation of the 7.5% of adjusted gross income required for federal purposes on Form 1040, Schedule A, affects the amount of health insurance costs deductible for Idaho purposes.

1.	Amount paid for health insurance coverage in 2001	10,000	10,000	10,000
2.	Additional medical expenses claimed on Form 1040, Schedule A	6,000	6,000	6,000
3.	Total medical expenses before the 7.5% limitation	16,000	16,000	16,000
4.	Less 7.5% of federal adjusted gross income	6,000	20,000	14,000
5.	Medical expense deduction allowed on the federal 1040, Schedule A. (Line 3 less line 4. If less than zero, enter zero.)	10,000	0	2,000
6.	Idaho deduction for health insurance costs. (Line 1 less 5. If less than zero, enter zero.)	0 ¹	10,000 ²	8,000 ³

Idaho Standard Deduction

If a taxpayer does not itemize deductions for Idaho income tax purposes, but instead uses the Idaho standard deduction, he does not have to reduce his health insurance costs by any amount claimed as a federal itemized deduction. Therefore, if a taxpayer claims the standard deduction for Idaho income tax purposes, the calculations in the previous table are not applicable.

Costs Deducted or Accounted For

Idaho Medical Savings Account

If a taxpayer takes money out of his Idaho medical saving account to pay medical insurance premiums, a deduction is not allowed under Section 63-3022P. The Idaho medical savings account deduction is allowed under Idaho Code Section 63-3022K. Since the health insurance costs are already deducted or accounted for, they are not allowed to be deducted a second time on the Idaho return.

Salary Reduction Plans

Premiums paid through a cafeteria plan or other salary-reduction arrangement cannot be included in the Idaho deduction for health insurance costs since these amounts are already accounted for.

Business Deductions

Premiums deducted as a business expense cannot be included in the Idaho deduction for health insurance costs since these amounts are already deducted.

¹ No deduction is allowed on the Idaho Form 39R or 39NR, since the medical expense deduction on the federal Form 1040, Schedule A is \$10,000.

² The full amount of \$10,000 is allowed as a deduction on the Idaho Form 39R or 39NR, since no medical expense deduction is allowed on the federal Form 1040, Schedule A.

³ \$8,000 is allowed as a deduction on the Idaho Form 39R or 39NR, since only \$2,000 is allowed as a medical expense deduction on the federal Form 1040, Schedule A.

Social Security Medicare A and B

No deduction is allowed on Idaho Form 39R or 39NR for the amount paid for employer-required Social Security Medicare A. This is the amount included on almost every federal Form W-2.

If the taxpayer is not covered under Social Security or was not a government employee who paid Medicare tax, he may be able to voluntarily enroll in Medicare A. In this situation the premiums paid for Medicare A may be deducted as a medical expense on the federal Form 1040, Schedule A. They are treated in the same manner as other health insurance expenses. Please refer to the other examples as to when a deduction for health insurance is allowed on the Idaho Form 39R or 39NR.

Medicare B is a supplemental medical insurance. Premiums paid for Medicare B are medical expenses allowed as a deduction on the federal Form 1040, Schedule A. They are treated in the same manner as other health insurance expenses. Please refer to the other examples as to when a deduction for health insurance is allowed on the Idaho Form 39R or 39NR.